

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 AGRE-00 L-03
COME-00 CIAE-00 INR-07 NSAE-00 SS-15 NSC-05 SP-02
TRSE-00 STR-04 CEA-01 OMB-01 PA-01 PRS-01 USIA-06
/090 W

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P 071815Z SEP 77

FM USINT HAVANA

TO SECSTATE WASHDC PRIORITY 48

INFO AMEMBASSY KINGSTON

AMEMBASSY LONDON PRIORITY

AMEMBASSY MOSCOW PRIORITY

USMISSION GENEVA PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 HAVANA 0054

EO 11652: GDS

TAGS: CU EPAP ETRD UR PFOR

SUBJ: INTERNATIONAL SUGAR NEGOTIATIONS

1. SUMMARY. CUBAN SUGAR NEGOTIATOR, SEPTEMBER 6, EXPRESSED HOPE FOR CLOSE COLLABORATION WITH USDEL IN UPCOMING GENEVA TALKS, AND THAT CUBA WOULD HANG TOUGH ON QUOTA ISSUE, THOUGHT THAT US WOULD AGREE TO 2.5 MILLION TON STOCKS, SAID THAT CUBA WOULD PRESS FOR 13 CENT MINIMUM PRICE, AND INDICATED THAT SOVIET UNION WOULD JOIN PACT IF USSR WAS GRANTED AN EXPORT QUOTA. END SUMMARY.

2. USINT OFFICER (GLASSMAN), SEPTEMBER 6, CALLED ON ALBERTO BETANCOURT ROA, DIRECTOR OF INTERNATIONAL ORGANIZATIONS, MINISTRY OF FOREIGN COMMERCE TO DISCUSS CUBAN POSITION IN UPCOMING GENEVA SUGAR NEGOTIATIONS. BETANCOURT INDICATED THAT, IN ADDITION TO HIMSELF, CUBAN DELEGATION WOULD BE COMPOSED OF MINISTER OF FOREIGN COMMERCE FERNANDEZ FONT, VICE-MINISTER CARBISAS, AND OTHER MEMBERS OF CUBAN DELEGATION AT PREVIOUS GENEVA AND LONDON TALKS. BETANCOURT SAID THAT IT WAS EXTREMELY IMPORTANT FOR US AND
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CUBAN DELEGATIONS TO BEGIN CONSULTATIONS ON FIRST DAY OF MEETINGS AT GENEVA. HE SAID THAT US AND CUBAN DELS, WORKING TOGETHER, WOULD ESSENTIALLY DETERMINE SHAPE OF FUTURE PACT.

3. STOCKS. BETANCOURT SAID THAT CUBAN WOULD ACCEPT 2.5 MILLION TON GLOBAL STOCKS, BUT ONLY REPEAT ONLY IN FINANCING ARRANGEMENTS WERE SATISFACTORY. BETANCOURT SPECIFIED THAT ONLY ACCEPTABLE

FINANCING ARRANGEMENT WOULD BE ONE IN WHICH IMPORTERS PAID "MAJOR SHARE" OF COSTS. CUBA DID NOT WANT STOCK REQUIREMENTS TO GO BEYOND 2.5 MILLION TONS BECAUSE, IF INDIVIDUAL COUNTRY STOCKS RELATED TO QUOTAS, CUBA WOULD HAVE TO WITHDRAW TOO MUCH SUGAR FROM FREE MARKET. BETANCOURT SAID THAT HE BELIEVED THE US WOULD SETTLE FOR 2.5 MILLION TON STOCK SINCE ASSISTANT SECRETARY KATZ HAD NOT CLOSED DOOR ON THIS. BETANCOURT SAID THAT CERTAIN DETAILS OF US FINANCING SCHEME WERE STILL NOT CLEAR TO CUBAN DEL. FOR EXAMPLE, WHO WILL PAY FOR FINANCING; WILL LOANS BE PAID BACK AND WHEN, HOW LOAN REPAYMENT ARRANGEMENTS WILL BE AFFECTED IF STOCKS ARE RELEASED INTO MARKET, AND WHAT REPAYMENT ARRANGEMENTS WILL BE IF STOCK REQUIREMENTS ARE REDISTRIBUTED DURING LIFE OF AGREEMENT. BETANCOURT STATED THAT HE REALIZED THAT THERE WAS NO POSSIBILITY FOR FINANCING ACQUISITION OF STOCKS IN CURRENT AGREEMENT. HE REMARKED THAT THIS REPRESENTED SPECIAL BURDEN FOR CUBA SINCE MANY OTHER EXPORTERS COULD GET LOW INTEREST LOANS FROM IMF FOR STOCK ACQUISITION, BUT CUBA COULD NOT SINCE IT WAS NOT A MEMBER. WITH REGARD TO VERIFICATION OF STOCKS, BETANCOURT SAID THAT CUBA, AS A "MATTER OF PRINCIPLE" WOULD NOT ACCEPT ANY INSPECTION PROVISIONS. HE ACKNOWLEDGED, HOWEVER, THAT DIPLOMATS COULD TRAVEL IN CUBA AND COULD VISIT ANY SUGAR STORAGE FACILITIES.

4. PRICE. BETANCOURT SAID THAT CUBA WOULD DEFEND 13 TO 23 CENT PRICE RANGE AGREED AT JAMAICA GEPLACEA MEETING. HE ACKNOWLEDGED THAT CUBA STRONGLY PRESSED FOR 13 CENT FLOOR AT MEETING, CONFIDENTIAL

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BUT SAID THERE WAS LITTLE OPPOSITION. IN RESPONSE TO QUESTION AS TO EFFECT 13 CENT PRICE WOULD HAVE ON COMPETITION FROM HIGH FRUCTOSE CORN SWEETENERS, BETANCOURT SAID THAT LOWER PRICE, SAY 11 CENTS, WOULD NOT NECESSARILY REDUCE COMPETITION SINCE CORN SWEETENER INVESTMENTS MADE IN 1974-75 ARE BEING AMORTIZED NOW. WITH REGARD TO NEW INVESTMENT, IT WAS NOT CLEAR TO CUBA THAT 13 CENT PRICE WOULD STIMULATE CORN SWEETENER INVESTMENT. FURTHERMORE, DEMAND FOR CORN SWEETENERS LARGELY LIMITED TO US AND TO INDUSTRIAL APPLICATIONS. BETANCOURT SAID, WITH REGARD TO VARIOUS STOCK RELEASE AND QUOTA IMPOSITION THRESHOLDS, THAT CUBA IS ACTIVELY REVIEWING ITS POSITION AND IS PREPARED TO SIMPLIFY IT.

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USMISSION GENEVA PRIORITY

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5. QUOTAS. BETANCOURT SAID THAT CUBA WOULD BE TOUGHER ON QUOTA ISSUE THAN ON ANY OTHER MATTER. QUOTAS, HE SAID, SHOULD BE BASED ON THREE FACTORS: (A) PREVIOUS EXPORT PERFORMANCE; (B) PLANS FOR INVESTMENT AND EXPANSION (CUBA HAS FOUR LARGE SUGAR MILL COMPLEXES IN TRAIN, HE SAID, OF WHICH TWO WILL BE COMPLETED BY 1980); AND (C) ECONOMIC DEPENDENCE ON SUGAR. WITH REGARD TO EXPORT PERFORMANCE, BETANCOURT CLAIMED THAT CUBA WOULD EXPORT SOME 2.45 MILLION METRIC TONS OF SUGAR FOR HARD CURRENCY THIS YEAR, INCLUDING ONE MILLION METRIC TONS (AT NEW YORK SPOT RATES) TO THE USSR. BETANCOURT INSISTED THAT THE ONE MILLION TONS SOVIET HARD CURRENCY PURCHASES BE INCLUDED IN CUBA'S FREE MARKET SHARE, A PROCEDURE, HE SAID, THAT WOULD MOVE CUBA AHEAD OF AUSTRALIA AS NUMBER ONE FREE MARKET EXPORTER. BETANCOURT ALLEGED THAT 1977 CUBAN SUGAR PRODUCTION WOULD EXCEED 7 MILLION METRIC TONS AND THAT EARLY RAINS PROVIDED REASON TO ASSUME THAT 1978 PRODUCTION WOULD BE OVER 7.2 MILLION METRIC TONS. (BETANCOURT SAID THAT CUBAN 1976 PRODUCTION WAS 6.485 MILLION METRIC TONS.) COMMENT: IN VIEW OF THEIR DESIRE TO OBTAIN HIGH QUOTA IN INTERNATIONAL SUGAR AGREEMENTS, CUBANS OBVIOUSLY HAVE MOTIVE BOTH TO ACCELERATE PRODUCTION AND TO EXAGGERATE PRODUCTION FIGURES.)
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WITH REGARD TO QUOTA REVISION, BETANCOURT SAID THAT ALL COUNTRIES NOW AGREE WITH CUBAN PROPOSAL TO REVISE QUOTAS AFTER TWO YEARS. HE SAID THAT CUBA WILL CONTINUE TO INSIST THAT ANY CUTS IN QUOTAS NOT EXCEED 15 PERCENT IN FIRST TWO YEARS.

6. ROLE OF SOVIET UNION. BETANCOURT SAID THAT CUBA HAD NOT DISCUSSED INTERNATIONAL SUGAR AGREEMENT WITH USSR SINCE APRIL-MAY GENEVA MEETING. HE SAID, HOWEVER, THAT HE HAD REASON TO BELIEVE THAT SOVIETS WOULD JOIN PACT IF THEY RECEIVED AN EXPORT QUOTA. BETANCOURT SAID THAT, WHILE SOVIETS HAD MENTIONED 500 THOUSAND

METRIC TON FIGURE, THIS COULD BE SUBJECT TO DOWNWARD REVISION. HE SAID THAT SOVIET RELUCTANCE TO PROVIDE DATA ON PRODUCTION SHORTFALLS WAS POTENTIALLY TROUBLESOME. BETANCOURT SUGGESTED THAT US AND OTHER COUNTRIES PUSH SOVIETS ON THIS MATTER. HE SAID THAT OTHER COUNTRIES MISTAKENLY THOUGHT CUBA COULD INFLUENCE MOSCOW ON THIS.

7. APPROACH TO EEC. BETANCOURT SAID CUBA WAS ASSOCIATING ITSELF WITH GEPLACEA JOINT APPROACH TO EEC COMPLAINING ABOUT EC POSTURE ON INTERNATIONAL SUGAR AGREEMENT AND EC SUGAR PRODUCTION EXPANSION EFFORTS.

8. COMMENT: WHILE PREDICTABLY SUPPORTIVE OF CUBAN GOING-IN POSITIONS ON STOCKS AND PRICES, BETANCOURT MADE CLEAR THAT QUOTA ISSUE WAS KEY ONE FOR CUBA, THIS MAY BE HINT THAT CUBA HAS BARGAINING ROOM ON PRICE AND STOCKS AND THAT QUOTA ISSUE MIGHT PROVIDE BARGAINING LEVERAGE FOR US. END COMMENT.

9. ADDRESSEES ARE REQUESTED TO INFO USINT HAVANA ON TELEGRAPHIC TRAFFIC RELEATED TO INTERNATIONAL SUGAR AGREEMENT.
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Message Attributes

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